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SUBJECT: SCENESETTER FOR PRIME MINISTER MOSISILI'S VISIT TO  
WASHINGTON

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1. (SBU) SUMMARY: Prime Minister Mosisili's imminent visit to Washington to sign a \$362.5 million MCA Compact on July 23 with the Millennium Challenge Corporation (MCC) comes at a high point in the U.S.-Lesotho bilateral relationship, reflecting many shared values, mutual cooperation, successful foreign assistance programs, and Lesotho's substantial progress in a number of important political, economic, and cultural areas. The young Mountain Kingdom's democratization growing pains are evident at the moment, however: the country is in the throes of what has regrettably become a traditional, and potentially worrisome, post-election political impasse--reflecting a historical aversion among Basotho to power sharing. Prior to the election season, Lesotho received the highest scores of any African nation on the MCC's rigorous cross-sectoral indicators, and the country's fiscal responsibility and strong exports under the African Growth and Opportunity Act (AGOA) serve as a model for other nations in the least developed category. The PM's first-ever bilateral visit to the United States offers an opportunity to congratulate Lesotho on its achievements vis-à-vis the Millennium Challenge Corporation and its progressive efforts as a developing nation. The visit is also an opportunity for senior USG officials to underscore the importance to the bilateral relationship, and to Lesotho's international standing, of dialogue, tolerance, inclusiveness, and respect for the rule of law and human rights. The MCC Compact signing will be a moment of triumph for the Basotho people, and will also be a personal victory for the man who has led this nation for almost a decade. END SUMMARY.

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Introducing the Mountain Kingdom  
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2. (U) Lesotho is a highly mountainous nation, slightly smaller than the state of Maryland, which is completely landlocked by South Africa. A nearly mono-ethnic state (although strife and rivalries among family-based clans create tensions not unlike ethnic conflict elsewhere on the continent), Lesotho became a unified British protectorate in 1868 and gained its independence in 1966. Following its tumultuous birth as an independent nation, Lesotho was governed by a string of military rulers from 1970 until 1993, when a new constitution established a constitutional monarchy. In 1998, violent post-election protests and an army mutiny were quelled by a Southern African Development Community (SADC) military invasion, causing considerable damage to the country's economy, infrastructure, and national psyche.

13. (U) Lesotho's Prime Minister Pakalitha Mosisili is head of government and has executive authority, while King Motlotlehi Letsie III serves a largely ceremonial function and wields minimal constitutional powers. Lesotho's February 2007 national assembly elections reaffirmed the leadership of the Lesotho Congress for Democracy (LCD), which has governed since 1998. Local and international observers declared the elections free and peaceful, but persistent disagreements concerning the application and potential manipulation of the country's generally well regarded Mixed Member Proportional (MMP) model marred the post-election political environment. A turbulent period followed the election which has included a vitriolic political impasse between governing and opposition parties, attacks on residences and property of senior political figures, a short-lived but restrictive curfew that led to additional security implications, and opposition-led mass demonstrations and work stoppages. In June, the GOL launched a controversial round of arrests and detentions of military personnel and individuals associated with the opposition and alleged coup plotting.

14. (U) Lesotho is ranked by the World Bank among the world's least developed nations, and its primary industries are subsistence agriculture, textile and apparel manufacturing, mining, and water utilities. While Lesotho's growth rate remains at a troublingly low 2.9%, the GOL's fiscal discipline has allowed the country to keep inflation just under double digits, maintain sizable foreign currency reserves, and run a public sector budget which is strongly in the black. The GOL's revenues are based largely on transfer payments from the South African Customs Union (SACU), which account for more than 60% of all government financing.

15. (U) Food insecurity has been a perpetual problem in Lesotho. Currently, persistent drought and failed crops since December 2006 and subsequent hikes in commodity prices have created an increasingly acute food crisis. On average, Lesotho's total agricultural production declined over 40% this season, increasing food insecurity for upward of 500,000 people (roughly

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25% of the population). The situation is worsened by Lesotho's high prevalence of HIV/AIDS, creating groups highly vulnerable to fluctuations in food availability and cost. Embassy Maseru declared a disaster on July 10, following the Prime Minister's declaration of a food crisis on July 9.

16. (SBU) Until August 2007, Lesotho retains chairmanship of the Southern African Development Community (SADC). This position currently allows the nation to punch beyond its weight class politically, as it did at the recent African Union (AU) Summit in Ghana when Prime Minister Mosisili called on the AU to demonstrate its fiscal accountability before the organization takes further steps towards political integration. The importance of SADC is likely to grow as regional integration continues and the block seeks greater consensus on policy issues in multilateral forums. Lesotho has used its current leadership role to achieve gains on regional trade and economic integration and to press, quietly at least, for more effective SADC influence in dealing with the deterioration in Zimbabwe.

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The U.S.-Lesotho Bilateral Relationship  
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17. (U) The United States and Lesotho have had a long-standing relationship, beginning when the U.S. established one of the first foreign diplomatic missions in Lesotho in 1966 immediately after independence. The United States is the single largest donor of humanitarian food assistance to Lesotho, contributing an estimated \$58 million in food aid since 2002 (including nearly \$8 million in supplemental contributions this year).

18. (U) Lesotho is poised to sign a \$362.5 million Millennium Challenge Corporation (MCC) compact to reduce poverty and increase economic growth. Lesotho produced an innovative

compact, and has taken ownership of a program that focuses on increasing the provision of water supplies for industrial and domestic use (\$164 million), improving health outcomes and productivity (\$122.4 million, the MCC's first ever support for the health sector), and removing barriers to foreign and local private sector investment (\$36.1 million). During the five-year scope of the compact, MCC projects will impact the majority of Lesotho's 1.8 million people due to their broad geographic scope and focus on sectors that reach most Basotho, such as health care and the provision of potable water.

¶9. (U) Lesotho is one of the greatest success stories of the United States' African Growth and Opportunity Act (AGOA), which helped create over 40,000 jobs and facilitates exports valued at nearly half a billion dollars annually. NGOs estimate that Lesotho's textile and garment mills, exclusively owned by Taiwanese and PRC controlled companies, indirectly support over 350,000 individuals in the Mountain Kingdom. Embassy Maseru is now working with the USAID Trade Hub to expand the benefits of AGOA beyond textiles.

¶10. (U) Lesotho's Peace Corps program has operated continuously for 40 years, during which some 2,000 American volunteers have worked in education, health, and community development in all ten of Lesotho's districts, including some of the most remote villages and communities. Eighty volunteers serve in the Kingdom currently.

¶11. (U) Through PEPFAR funding totaling over \$11 million this year and U.S. contributions to the Global Fund, the United States has partnered with the GOL, other donors, and dozens of NGOs and universities to help the Mountain Kingdom cope with, prevent, and eliminate HIV/AIDS. Lesotho has the world's third highest prevalence rate of HIV/AIDS, infecting approximately 23% of the country, considerably higher among high-risk populations, including the nation's youth. The disease impacts all spheres of life in Lesotho, including lost productivity, constant and expensive by-elections to replace deceased politicians, a population that has essentially declined over the past ten years despite high fertility rates, the creation of nearly 200,000 orphans, and the unofficial designation of every Saturday as "funeral day." HIV/AIDS efforts are among Embassy Maseru's most visible and rapidly growing areas of operation.

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Political Turbulence and Human Rights  
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¶12. (SBU) Following Lesotho's February 2007 national assembly election, a political impasse developed between the governing LCD and opposition parties regarding the distribution of parliamentary seats and other issues. While international and

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domestic monitors observed Lesotho's polling process to be fair and peaceful, opposition parties allege that the LCD manipulated Lesotho's complex Mixed Member Proportional (MMP) parliamentary system through the use of dubious political alliances. Opposition parties, however, used the same tactic in efforts to gain more seats and influence in Parliament. SADC appointed former President of Botswana Masire to mediate ongoing talks between governing and opposition parties aimed at resolving the impasse. The dialogue process succeeded in bringing the two side together, although progress has been limited to a small number of process modalities and tightly referenced issues.

¶13. (SBU) In June, unknown gunmen attacked several ministerial residences over a series of evenings, disarming military bodyguards. In response, the Lesotho Mounted Police Service (LMPS), backed by the Lesotho Defense Forces (LDF), declared a curfew to reclaim weapons stolen from military bodyguards and to arrest the perpetrators. Troubling accusations emerged that unidentified security forces took former and current military personnel and several civilians into secret custody and mistreated them. The GOL/LDF's heavy handed tactics in dealing with recent events, and dismissal of abuse allegations, have

drawn criticism from local civil society and human rights groups. Lesotho has a history of politically related violence, but the true motives for the recent spate of attacks, like those in the past, may remain a mystery. The GOL has not substantiated its claims that the political opposition is behind the violence and alleged coup plotting.

¶14. (SBU) Some criticism of the GOL and its MCC compact has surfaced regarding the consultative process, projected rates of return, and alleged disregard for human rights issues. The criticism may reflect an opposition tactic to use the compact as political leverage in getting the GOL to address recent allegations of human rights abuses and other opposition grievances, although several local NGOs and human rights groups have also raised similar concerns.

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Our Message  
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¶15. (SBU) The PM's first-ever bilateral visit to the United States offers an opportunity to congratulate Lesotho on its achievements vis-a-vis the Millennium Challenge Account and its progressive efforts as a developing nation. The visit is also an opportunity for senior USG officials to underscore the importance to the bilateral relationship, and to Lesotho's international standing, of dialogue, tolerance, inclusiveness, and respect for the rule of law and human rights. We recommend raising the following points:

-- Congratulate Lesotho for gaining MCC eligibility, achieving in 2006 the highest score of an African nation on MCC's indicators and making specific progress in key criteria areas such as gender equality; and for creating an innovative compact that stands to alleviate poverty, spur economic growth, and benefit generations of Basotho to come;

-- Thank the GOL for signing an "Article 98 Agreement" with the United States in 2006, supporting counterterrorism efforts, and for playing a leading role in regional and global trade liberalization;

-- Applaud Lesotho's efforts on HIV/AIDS, including strong support by His Majesty the King and senior GOL officials to fight the disease, the Kingdom's model "Know Your Status" national campaign, and a recent statement of commitment by the country's influential church leaders;

-- Give assurances of continued USG cooperation in fighting HIV/AIDS, but noting that a successful response to this historical challenge requires burying stigma, implementing efforts that may intrude upon cultural assumptions, and effectively using resources;

-- Express support for Lesotho's leadership within SADC and the African Union (AU), including modest but important contributions to the international peacekeeping force in Darfur; and encourage greater leadership efforts to address the Zimbabwe crisis;

-- Encourage the GOL to ensure that all political voices, including those of the opposition, are heard in the policy formulation and are invited to participate in the governing process;

-- Observe that disputes and differences among political

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stakeholders can only be resolved through dialogue and adherence to the rule of law.

-- Suggest that the GOL should not dismiss broad accusations of human rights abuses, but rather address such matters directly and transparently;

-- Reiterate that review of Lesotho's MCC eligibility does not end with compact signing, but that Lesotho must maintain its

annual eligibility across the board, including in key areas such as civil liberties, human rights, and the rule of law.

MURPHY